



October 15, 2008

Philip Giudice
Commissioner,
Department of Energy Resources,
Commonwealth of Massachusetts
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Alternative Energy Portfolio Standard

Dear Commissioner Giudice:

This letter outlines certain views of GreatPoint Energy, Inc. ("GreatPoint") regarding the regulations which the Department of Energy Resources (the "Department") will adopt to implement the alternative energy portfolio standard for retail electricity suppliers in the Commonwealth which is part of the recently enacted Act Relative to Green Communities (M.G.L. c.25A, Section 11F1/2, hereafter the "Act").

The Department is charged by the terms of the Act with the development of implementing regulations in the following areas: (i) the minimum percentage of kilowatt-hours to end-use customers in the Commonwealth required to be provided from alternative energy generating sources beginning January 1, 2009; (ii) emission performance standards, including (a) permanent carbon dioxide sequestration definitions and standards and (b) fuel conversion efficiency standards; (iii) a net carbon dioxide emissions rate for alternative energy supplies; (iv) the amount of the alternative compliance payment which a retail supplier may make in lieu of meeting the portfolio standard; and (v) procedures for establishing compliance with the alternative energy portfolio standard.

As you know, GreatPoint has developed and is in the process of commercializing a technology for the catalytic gasification of coal, petroleum coke and other carbonaceous materials (including biomass) into methane suitable for transportation in the interstate natural gas pipeline system.

GreatPoint's technology permits the carbon dioxide produced in the gasification process to be captured for sequestration. Construction of GreatPoint's Mayflower Energy Center in Somerset, Massachusetts, where GreatPoint will conduct testing of feedstock and catalysts in its gasification process, will be completed by year-end. GreatPoint is in the initial phases of development work on its first commercial-scale plant, which it expects will begin commercial operations in 2012.

Among the technologies which the Act identifies as an "alternative energy generating source" is one which generates electricity by using gas from gasification with capture and permanent sequestration of carbon dioxide, where the gas is purchased by and contractually transported to a generating source in the ISO-New England ("ISO-NE") control area. The Act further provides that coal is not a fuel that is eligible for an alternative energy portfolio standard, except when used in gasification (i.e., converted into gas).

At the public forum held by the Department on September 29 to collect initial views on the Act, certain groups asserted that gasification should either not be recognized by the Department as an alternative energy generating source, or would not be available as an alternative energy generating source until 2020 at the earliest. Contrary to such assertions, and as discussed above, GreatPoint believes that the Act is clear that gasification is an alternative energy generating source, and GreatPoint currently expects to have a commercial-scale gasification facility in operation in 2012. GreatPoint believes that electricity generated by a generating source in ISO-NE utilizing methane which is contractually delivered from one of GreatPoint's gasification facilities will qualify as an alternative energy generating source for purposes of the Act, and GreatPoint looks forward to helping retail electric suppliers in the Commonwealth meet the requirements mandated by the Legislature for sourcing electricity from alternative energy supplies.

Accordingly, GreatPoint has the following views on the regulations to be adopted by the Department on the various matters mandated by the Act:

1. MINIMUM PERCENTAGE OF KILOWATT-HOURS TO END-USE CUSTOMERS IN THE COMMONWEALTH REQUIRED TO BE PROVIDED FROM ALTERNATIVE ENERGY GENERATING SOURCES BEGINNING JANUARY 1, 2009

While GreatPoint is not in a position to comment definitively on the current and expected future availability of supplies of electricity from alternative energy generating sources identified in the Act other than its own, GreatPoint does not believe that there will be substantial supplies available in the immediate future. GreatPoint's current plans do not call for it to be able to supply gas to generators in ISO-NE until 2012.

Accordingly, GreatPoint believes that the annual percentage requirements should be set by the Department at levels equal to the expected available supply in the early years. For later years, the requirements should be set at levels that will encourage the development of new sources of alternative energy supplies. Most importantly, the Department must set the percentage requirements for those later years at the same time that it sets the requirements for the earlier years. This will be essential if the Department wants to fulfill the legislative intent to encourage development of new sources of alternative energy supplies. Alternative energy suppliers will need to know what levels of demand they can count on in future years in order to be able to make the capital investments needed to build new production capacity in time to meet those future requirements.

GreatPoint believes the percentage requirement should grow to higher levels over the next five years in order to provide appropriate incentives for supplies to become available. The percentage requirements applicable to the renewable portfolio standard would, in GreatPoint's opinion, be appropriate for the alternative energy requirement beginning in the 2012 timeframe. In setting the percentage requirements for the renewable portfolio standard, the Legislature has determined the levels of demand that will provide sufficient incentives to stimulate the development of new supplies of electricity generated with renewable fuels. In the case of the alternative energy portfolio standard, the Legislature has left those determinations to the Department. In exercising its discretion, GreatPoint urges the Department to similarly set the demand for alternative energy supplies at levels sufficient to stimulate the development of new supplies of electricity generated with alternative energy sources. GreatPoint looks forward to working with the Department as it determines what levels of demand will be sufficient to provide reliable incentives for the development of alternative energy supplies.

2. EMISSION PERFORMANCE STANDARDS

(i) PERMANENT SEQUESTRATION DEFINITIONS AND STANDARDS

At the September 29 public forum, the Department raised the possibility of deferring the issuance of regulations defining "permanent sequestration" for purposes of the Act for one year (to January 1, 2010), in order to allow the Department additional time to conduct fact-finding. GreatPoint is in agreement with the Department that deferring the issuance of those regulations for that period of time is prudent, and will not impede the development of gasification technologies such as those being developed by GreatPoint. GreatPoint does not believe that gasification technologies will be available in 2009 such that the absence of regulations defining "permanent sequestration" during that time will prevent such technologies from taking advantage of the Act.

GreatPoint is prepared to assist the Department in its fact-finding endeavors regarding the methods being studied and considered for carbon dioxide sequestration, including the use of

carbon dioxide in enhanced oil recovery operations as an acceptable existing method for permanent sequestration.

(ii) FUEL CONVERSION EFFICIENCY STANDARDS

The Act provides that the Department develop regulations for fuel conversion efficiency standards applicable to alternative energy supplies such that, in the case of gasification, “the total overall fuel conversion efficiency from feedstock to final combustible fuel shall not be less than 70 percent ...”

GreatPoint believes that the foregoing requirement can be met with an implementing regulation that measures the fuel conversion efficiency as follows: calculate the total BTUs in the final combustible fuel produced in the gasifier from the feedstock and divide that amount by the total BTUs in the feedstock material fed into the gasifier (coal, petroleum coke or biomass).

3. NET CARBON DIOXIDE EMISSIONS RATE

The Act requires that the Department establish a net carbon dioxide emissions rate for alternative energy supplies which is not to exceed the average emissions rate of existing natural gas plants in the Commonwealth. The emissions to be taken into consideration by the Department are those that are derived from combustion, gasification, fuel processing and sequestration.

At the September 29 public forum, certain parties proposed that the Department issue regulations requiring that the net carbon dioxide emissions rate for alternative energy supplies not exceed that of the most efficient natural gas plants in the Commonwealth. However, GreatPoint would point out that the legislature was quite clear in this regard. The exact language of the Act on this point is:

“a net carbon dioxide emissions rate not to exceed the average emissions rate of existing natural gas plants in the commonwealth, which shall include all emissions, related to combustion, gasification, fuel processing and sequestration ...”

The implementing regulations issued by the Department should be consistent with the clearly expressed legislative intent.

In considering electricity generated by the burning of gas from an alternative energy gasification plant, GreatPoint believes that the Act requires that carbon dioxide emissions from the following activities, and solely those activities, be taken into consideration in measuring the emissions rate, and that the Department’s implementing regulations should so provide: (i) any carbon dioxide released by the gasification plant in the gasification process; (ii) any carbon dioxide released in fuel processing; (iii) any carbon dioxide released in the process of sequestering the carbon dioxide; and (iv) any carbon dioxide released by the electric generating facility when it combusts the gas to produce electricity. As was discussed at the September 29 public forum, GreatPoint is

prepared to work with the Department to ensure that the regulations with respect to the net carbon dioxide emissions rate compare “apples to apples,” that is, that the net carbon dioxide emissions rate associated with the combustion of gas from gasification be measured on a basis comparable to the net carbon dioxide emissions rate associated with combustion of gas from traditional sources of natural gas (i.e., drilled natural gas and liquefied natural gas).

4. THE AMOUNT OF THE ALTERNATIVE COMPLIANCE PAYMENT

The Act requires the Department to establish a payment which a retail supplier must make if it is unable or unwilling to meet the alternative energy portfolio standard. As the Legislature clearly determined, if retail suppliers are not penalized for failing to secure electricity from alternative energy suppliers, they will have no incentive to do so.

In setting a compliance payment, GreatPoint believes the Department should take into consideration many of the same factors it took into consideration in establishing the compliance payment for the renewable portfolio standard.

GreatPoint also believes that to the extent the Department collects alternative energy compliance payments, it should have such payments deposited into a fund which would be administered so as to provide financial assistance to companies seeking to develop sources of alternative energy.

5. PROCEDURES FOR ESTABLISHING COMPLIANCE

GreatPoint believes that the Department should establish procedures implementing the requirements of the alternative energy portfolio standard, including compliance procedures, which are substantially similar to those adopted to implement the renewable portfolio standard. Since retail suppliers are already familiar with the renewable portfolio standard processes and procedures, utilizing the same processes and procedures for the alternative energy portfolio standard should facilitate the implementation of the new program. Since electricity generators in the ISO-NE control area are familiar with, and in some cases already use, the ISO-NE Generation Information System, it would be relatively easy for them to use that same system to obtain and resell certificates for hours of generation that are eligible for credit under the alternative energy portfolio standard. Compliance reporting and verification would be similarly facilitated.

GreatPoint looks forward to working with the Department to collect and analyze the information necessary for it to develop the implementing regulations for the alternative energy portfolio standard, and stands ready to assist the Department in any way it can.

Very truly yours,

GREATPOINT ENERGY, INC.

By: 

Andrew Perlman

Chief Executive Officer